

**REPORT OF THE AUDIT OF THE
LARUE COUNTY
SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period
May 1, 2008 Through April 15, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE 502.564.5841
FACSIMILE 502.564.3094**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
LARUE COUNTY
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period
May 1, 2008 Through April 15, 2009

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2008 Taxes for the LaRue County Sheriff for the period May 1, 2008 through April 15, 2009. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$4,555,174 for the districts for 2008 taxes, retaining commissions of \$188,386 to operate the Sheriff's office. The Sheriff distributed taxes of \$4,316,919 to the districts for 2008 taxes. Taxes of \$46,972 are due to the districts from the Sheriff and refunds of \$67 are due to the Sheriff from the taxing districts.

Report Comments:

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly
- The Sheriff Should Present His Local Settlement To The Fiscal Court No Later Than September 1 Of Each Year
- The Sheriff Should Perform Bank Reconciliations Monthly

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Tommy Turner, LaRue County Judge/Executive

Honorable Bobby Shoffner, LaRue County Sheriff

Members of the LaRue County Fiscal Court

Independent Auditor's Report

We have audited the LaRue County Sheriff's Settlement - 2008 Taxes for the period May 1, 2008 through April 15, 2009. This tax settlement is the responsibility of the LaRue County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the LaRue County Sheriff's taxes charged, credited, and paid for the period May 1, 2008 through April 15, 2009, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2010 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Tommy Turner, LaRue County Judge/Executive
Honorable Bobby Shoffner, LaRue County Sheriff
Members of the LaRue County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly
- The Sheriff Should Present His Local Settlement To The Fiscal Court No Later Than September 1 Of Each Year
- The Sheriff Should Perform Bank Reconciliations Monthly

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

June 22, 2010

LARUE COUNTY
BOBBY SHOFFNER, SHERIFF
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period May 1, 2008 Through April 15, 2009

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 781,466	\$ 508,410	\$ 2,259,780	\$ 607,254
Tangible Personal Property	59,130	35,904	107,361	72,155
Fire Protection	1,254			
Increases Through Exonerations	148	92	428	115
Franchise Taxes	88,125	52,620	169,105	
Fire Department Dues		211,265		
Bank Franchises	53,770			
Penalties	4,761	4,652	13,716	3,720
Adjusted to Sheriff's Receipt		(10)		
Gross Chargeable to Sheriff	<u>988,654</u>	<u>812,933</u>	<u>2,550,390</u>	<u>683,244</u>
<u>Credits</u>				
Exonerations	8,844	35,399	25,574	6,872
Discounts	13,298	10,431	34,569	10,011
Delinquents:				
Real Estate	35,706	22,269	103,166	27,723
Tangible Personal Property	2,797	1,663	5,137	923
Fire Department Dues		13,120		
Franchise Taxes	<u>33,691</u>	<u>20,214</u>	<u>68,640</u>	
Total Credits	<u>94,336</u>	<u>103,096</u>	<u>237,086</u>	<u>45,529</u>
Taxes Collected	894,318	709,837	2,313,304	637,715
Less: Commissions *	<u>38,296</u>	<u>30,168</u>	<u>92,532</u>	<u>27,390</u>
Taxes Due	856,022	679,669	2,220,772	610,325
Taxes Paid	837,992	667,581	2,204,191	607,155
Penalty Due to State				375
Refunds (Current and Prior Year)	<u>667</u>	<u>416</u>	<u>1,998</u>	<u>258</u>
Due Districts or		**		
(Refund Due Sheriff)				
as of Completion of Audit	<u>\$ 17,363</u>	<u>\$ 11,672</u>	<u>\$ 14,583</u>	<u>\$ 3,287</u>

* and ** See Next Page.

The accompanying notes are an integral part of this financial statement.

LARUE COUNTY
BOBBY SHOFFNER, SHERIFF
SHERIFF'S SETTLEMENT - 2008 TAXES
For The Period May 1, 2008 Through April 15, 2009
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	2,231,870
4% on	\$	2,313,304

** Special Taxing Districts:

Library District	\$	5,348
Health District		1,754
Extension District		3,439
City of Upton		63
Magnolia Fire Dues		235
Rolling Fork Fire Dues		29
LaRue County Fire Dues		335
Buffalo Fire Dues		536
Upton Fire Dues		(67)
		<hr/>

Due Districts or
(Refund Due Sheriff)

\$	<u>11,672</u>
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LARUE COUNTY
NOTES TO FINANCIAL STATEMENT

April 15, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The LaRue County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

LARUE COUNTY
 NOTES TO FINANCIAL STATEMENT
 April 15, 2009
 (Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The LaRue County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 15, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2008. Property taxes were billed to finance governmental services for the year ended June 30, 2009. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 27, 2008 through April 15, 2009.

Note 4. Interest Income

The LaRue County Sheriff earned \$1,324 as interest income on 2008 taxes. As of June 22, 2010, the Sheriff owed \$645 in interest to the school district and \$100 in interest to his fee account.

Note 5. Unrefundable Duplicate Payments And Unexplained Receipts

The Sheriff deposited unrefundable duplicate payments and unexplained receipts in interest-bearing accounts. The Sheriff's escrowed amounts were as follows:

2005	\$ 1,274
2006	\$11,163
2007	\$ 6,187

KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned, and abandoned funds are required to be sent to the Kentucky State Treasurer by KRS 393.110. The Sheriff sent a written report to the Treasury Department and submitted \$1,274 to the Kentucky State Treasurer in accordance with KRS 393.110.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Tommy Turner, LaRue County Judge/Executive
Honorable Bobby Shoffner, LaRue County Sheriff
Members of the LaRue County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the LaRue County Sheriff's Settlement - 2008 Taxes for the period May 1, 2008 through April 15, 2009, and have issued our report thereon dated June 22, 2010. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the LaRue County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the LaRue County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the LaRue County Sheriff's Settlement - 2008 Taxes for the period May 1, 2008 through April 15, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly
- The Sheriff Should Present His Local Settlement To The Fiscal Court No Later Than September 1 Of Each Year
- The Sheriff Should Perform Bank Reconciliations Monthly

This report is intended solely for the information and use of management, the LaRue County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

June 22, 2010

COMMENTS AND RECOMMENDATIONS

LARUE COUNTY
BOBBY SHOFFNER, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period May 1, 2008 Through April 15, 2009

STATE LAWS AND REGULATIONS:

The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

KRS 134.140(3)(b) requires the Sheriff to pay monthly “that part of his investment earnings for the month which is attributable to the investments of school taxes.” The Sheriff should distribute the investment earnings at the same time as the monthly tax collections. KRS 134.140(3)(d) requires the remaining monthly interest to be transferred to the Sheriff’s fee account. However, Sheriff Shoffner did not pay the interest to the Board of Education or the fee account on a monthly basis. As of April 15, 2009, the Sheriff owes the LaRue County Board of Education \$645 and the fee account \$100. We recommend the Sheriff comply with KRS 134.140(3)(b) and (d) by paying the amount of interest due to the school and fee account on a monthly basis.

Sheriff’s Response: No response.

The Sheriff Should Present His Local Settlement To The Fiscal Court No Later Than September 1 Of Each Year

Per KRS 134.310(1), “The sheriff shall annually settle his accounts for county and district taxes with the fiscal court after making settlement with the Department of Revenue....” The report of the state and local settlement shall be filed in the county clerk’s office and approved by the county judge/executive no later than September 1 of each year.” We noted during planning and testing, that the local settlement had not been completed nor presented to Fiscal Court before September 1, 2009 as required. Upon reviewing the Fiscal Court Orders, we noted the 2008 local settlement was not presented to Fiscal Court until October 27, 2009. We would recommend the Sheriff contract with an individual to prepare the local settlement and present the completed settlement to Fiscal Court before September 1 as required by KRS 134.310(1).

Sheriff’s Response: No response.

The Sheriff Should Perform Bank Reconciliations Monthly

We noted during our testing that the Sheriff was not consistent in performing the bank reconciliations on a monthly basis. The Department for Local Government establishes minimum requirements pursuant to KRS 68.210 for all local government officials handling public funds which include monthly bank reconciliations. We recommend the Sheriff make every attempt to reconcile the bank statements to his books on a monthly basis.

Sheriff’s Response: No response.

